GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1002
ANSWERED ON:29.04.2016
Startup Companies
Chaudhary Shri P.P.;George Shri (Adv.) Joice;Joshi Shri Chandra Prakash;Shekhawat Shri Gajendra Singh

Will the Minister of FINANCE be pleased to state:

(a) Whether a number of startup companies have received capital through private placements and stake sales;

(b) If so, the details of such transactions over the last three years;

(c) Whether such transactions have taken place at high valuations;

(d) Whether there is a system for regulation of such capital raising and ensuring prudent valuations of startup companies to protect investors and the public;

(e) If so, the details thereof; and

(f) If not, the reasons and implications thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a): Startup companies are neither defined under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations") nor in the Companies Act, 2013. However, the Government of India has announced 'Startup India' initiative for creating a conducive environment for stratup in India. The Ministry of Commerce and Industry (Department of Industrial Policy and Promotion) vide notification 5(91)/2015-BE.1, dated 17.02.2016 has notified that an entity shall be considered a 'start-up as given in Annexure-A.

(b) & (c): The information sought is not maintained.

(d), (e) & (f): Private placement by unlisted companies are not covered under the ICDR Regulations which are applicable for equity shares and convertible securities. Chapter III and IV of the Companies Act, 2013 provides for provision w.r.t. Prospectus and Allotment of Securities & Share Capital and Debentures respectively. Part I (Section 23 to 41) of Chapter III deals with Public Offer and Part II (section 42) of Chapter III deals with Private Placement.

The provisions of Section 42 of the Companies Act, 2013 dealing with private placement are applicable to all the companies. Section 62 of the Companies Act, 2013 provide for the requirements which are applicable when a company issues further shares. Section 62(1)(c) and rules made thereunder read with Section 42 of the Act require the valuation of shares in case the shares are offered by a company to persons other than existing member or employee of the company.

The requirement under Section 62(1)(c) and Section 42 read with relevant rules provides for making adequate disclosures and valuation requirement. These are aimed at protecting the interest of investors and the public.

*****